

An introduction into (not) taxing wealth and profits - The Dutch case

Economy Studies Essential Lecture

Instructor's Guide by Sam de Muijnck¹

Economy Studies Essential Lectures

These teaching packs are designed for 90-minute (online or offline) sessions that can be added to existing courses. They help students become familiar with an important topic that is often neglected. At some universities lectures and sessions are typically longer than 90 minutes and at others shorter. Feel free to adjust the material to make it fit with your context and purpose.

Tax evasion and avoidance globally and in the Netherlands

Many graduated Dutch economists don't know about the central international role the Netherlands plays in the taxation, or lack thereof, of multinational corporations. In recent years issues surrounding tax evasion and avoidance have gotten more attention in public debates and policy making around the world. It poses key questions about how we want to (re)organise our economies, what the rules of the game are, and who benefits from them. Any good economist today should have a basic understanding of this issue as it has implications for public finance and inequality, but market competition and macroeconomic statistics.

In this 90-minute teaching pack, students learn the basics of tax evasion and avoidance, and the international role of the Netherlands in taxing multinational corporations. Particular attention goes to the three pillars of international taxation and their problems as well as the four tax 'crown jewels' of the Netherlands.

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Lesson plan

Learning Objectives		
<ul style="list-style-type: none"> Understanding the basics of tax evasion and avoidance of individuals and multinational corporations Being aware of the international role of the Netherlands in taxing multinational corporations 		
Transferable Skills Developed		
<ul style="list-style-type: none"> Being able to put recent policy developments in historical context Being able to analyse power dynamics and relations 		
Prior to session		
Core readings: <ul style="list-style-type: none"> Taxing across Borders: Tracking Personal Wealth and Corporate Profits by Gabriel Zucman from 2014 in the Journal of Economic Perspectives. How The Netherlands Became a Tax Haven for Multinationals by Jan Vleggeert and Henk Vording from 2019 in Studies in the History of Tax Law Volume Volume 9. For Dutch classes: Strijd tegen verborgen vermogens boekt voorzichtige vooruitgang by Wouter Leenders and Arjan Lejour from 2023 in the ESB. 		
Plan of Activities		
Duration	Instructor Activity	Student Activity
5 min	Introduction: Present the topic and learning objectives	Take notes. Ask questions if possible.
5 min	Quiz on tax	Do the quiz.
10 min	Lecture on the taxation of private wealth	Take notes. Ask questions if possible.
10 min	Lecture on the international taxation of corporate profits	Take notes. Ask questions if possible.
15 min	Exercise 1: Find the missing profits	Do the exercise in duos.
25 min	Lecture on the Dutch taxation of corporate profits	Take notes. Ask questions if possible.
15 min	Exercise 2: Power mapping	Do the exercise in duos.
5 min	Wrap up	Take notes.
Total: 90 min		

Student preparation work

Core readings:

Before the lecture, students should read one or all (based on what seems appropriate for your course) of these three articles on tax evasion and avoidance in general, the Dutch case, and recent policy developments:

- [*Taxing across Borders: Tracking Personal Wealth and Corporate Profits*](#) by Gabriel Zucman from 2014.
- [*How The Netherlands Became a Tax Haven for Multinationals*](#) by Jan Vleggeert and Henk Vording from 2019.
- For Dutch classes: [*Strijd tegen verborgen vermogens boekt voorzichtige vooruitgang*](#) by Wouter Leenders and Arjan Lejour from 2023.

Possible additional homework:

Different formats can help students grasp and remember the content. So one could also assign these videos, game and simulator. Content-wise they are more imperfect than the articles but could still be useful didactic complements.

- Online game from 2017 on how to hide wealth: <https://www.icij.org/investigations/panama-papers/stairway-tax-heaven/>
- Explanation video from 2018 on the basics of tax havens: <https://www.youtube.com/watch?v=JRlndgfIpb4>
- Interview from 2019 with Gabriel Zucman on hidden wealth: <https://www.youtube.com/watch?v=GG5yvPRktV0>
- US tax policy simulator from 2019 by Emmanuel Saez, Gabriel Zucman and their students: <https://taxjusticenow.org/>

Further reading tips:

- The Hidden Wealth of Nations: The Scourge of Tax Havens by Gabriel Zucman, from 2013.
- The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay by Emmanuel Saez and Gabriel Zucman, from 2019.
- [*Doorsluisland NL doorgelicht by CPB*](#), from 2019.
- [*How the Netherlands became a Tax Haven*](#) by Jesse Frederik, from 2017 ([read in Dutch here](#)).

Schedule

- General introduction
 - Opening explanation
 - Quiz
- Taxing private wealth
 - International: Zucman (2014)
 - The Netherlands: Leenders & Lejour (2023)
- Taxing corporate profits
 - International: Zucman (2014)
 - Exercise 1: Find the missing profits
 - The Netherlands: Vleggeert & Vording (2019)
 - Exercise 2: Power mapping
- Wrap up

Introduction: Present the topic and learning objectives

The lecture briefly opens with briefly introducing the topic, its relevance, and learning objectives.

Quiz

Do the quiz with the students, either with an online tool, such as Mentimeter, or just with the PowerPoint slides. The goal of the quiz is to make students familiar with what tax evasion and tax avoidance are through some cases in an interactive way.

Lecture on the taxation of private wealth

This part of the lecture summarises insights from Zucman (2014) and Leenders & Lejour (2023) on the taxation of private wealth. Based on the level and time available one can go in more or less detail. To activate and help students better understand the material, one can let students ask questions. As always, feel free to add, remove or adjust slides to tailor to your students and context.

Lecture on the international taxation of corporate profits

This part of the lecture summarises insights from Zucman (2014) on the international taxation of corporate profits and the three pillars of international taxation in particular.

Exercise 1: Find the missing profits

Let the students form groups of 2 or 3 (with the students sitting next to them or if online in breakout rooms). And let them go through the following steps in 15 minutes.

Steps using the [Exercise Sheet](#):

1. Student guess for themselves the top 5 countries that lose most corporate tax revenue (in absolute terms) from the Netherlands. Write down the top 5 of each student next to each other.
2. Discuss and write down in your group what the reasons are you choose these countries and what can cause/explain high corporate tax losses to the Netherlands for countries.
3. Go to <https://missingprofits.world/> and find out what the actual top 5 is by clicking on countries in the map. Write down the data regarding the Netherlands and all tax havens (absolute profits lost, absolute tax revenue lost, and relative tax revenue lost; in total thus 6 items per country) for each country that you click on.
4. Compare the results to your guesses of step 1 and discuss the similarities and differences.
5. Discuss which reasons you discussed at step 2 seems to have led you in the right direction.

Goal of the exercise:

Working as a professional or academic economist often means investigating something that is still unknown. Informed guesses as to what to explore, here students learn to reflect on doing this. At the same time, they learn more about the role of the Netherlands as a tax haven in the world.

Through this exercise the students learn about the main financial flows going through the Netherlands with regards to avoiding corporate tax and where the largest clients of the Dutch tax planning industry are located. It also gives insight into which countries lose most to the Netherlands and thus might have a reason to pressure the Netherlands.

Lecture on the Dutch taxation of corporate profits

This part of the lecture summarises insights from Vleggeert & Vording (2019) on the Dutch taxation of corporate profits and the four tax 'crown jewels' of the Netherlands in particular.

Exercise 2: Power mapping

Place the following actors in the graphs in the [Exercise Sheet](#):

- The general public
- Politicians
- Multinational corporations
- Civil society organisations
- Academic researchers
- Tax lawyers and advisors
- Tax inspectors
- International organisations (EU, OECD, G20)

Discuss why they should be placed there and how this can help explain policy outcomes.

Goal of the exercise:

Economics often focuses on which policies are best, or 'optimal', in theory. While useful for analytical purposes, it rarely describes how policies in the real-world look. Policies are not made in a vacuum but come out of societal and political structures that are generally characterised by significant power imbalances. Power mapping is a useful tool that will help students to think systematically about how different actors and interest groups shape economic policies. For the future careers of students, whether working in the private, public or academic sector, this will be relevant as they are likely having to work on or with real-world policies and thus understanding how they come about and change is critical to making valuable contributions as economist.

Wrap up

One can decide to ask a few students to report back to the full class one interesting discussion point they had during the exercise. Alternatively, one could ask students to reflect upon how their thinking about tax evasion and avoidance has changed since this lecture and its homework.